



City of NORFOLK

C: Dir., Department of Development

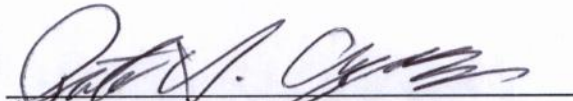
To the Honorable Council
City of Norfolk, Virginia

July 21, 2015

From: Charles E. Rigney, Sr., Director of
Development

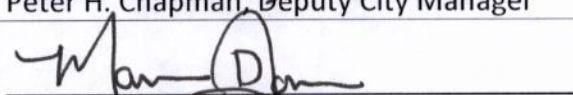
Subject: Resolution authorizing
application submission to
Department of Housing and Urban
Development in support of Section
108 Economic Development Loan
Program

Reviewed:


Peter H. Chapman, Deputy City Manager

Ward/Superward: Citywide

Approved:


Marcus D. Jones, City Manager

Item Number:

R-4

- I. **Recommendation:** Adopt Resolution
- II. **Applicant:** City of Norfolk, Department of Development
- III. **Description**

This agenda item is a Resolution authorizing the submission of an application to the U.S Department of Housing and Urban Development (HUD) in support of a Section 108 Economic Development Loan Program with Community Development Block Grant (CDBG) funds as its pledge. The City's Economic Development Department plans to utilize Section 108 monies up to approximately \$19,000,000 for long-term, low-cost flexible capital for economic development lending purposes. All loans are to meet the requirements of the Federal Code of Regulations, including benefit to low and moderate income individuals and the elimination of blight.

IV. **Analysis**

The City of Norfolk is pursuing a holistic approach to economic and community development and the Section 108 loan program will leverage private capital with federal funds to foster vibrant neighborhoods and stimulate job creation. The City will utilize these federal dollars to establish a loan pool. Loan proceeds will be used for (1) acquisition of improved or unimproved real property in fee or by long-term lease, including the acquisition for economic development purposes, (2) rehabilitation of real property owned

or acquired by the City or its designated public agency, and (3) other economic development activities.

V. Financial Impact

The City will use guidelines and objectives for evaluating project costs and financial requirements with a framework for financially underwriting and selecting assisted economic development projects, including outlining underwriting criteria in its application for the evaluation of loans.

VI. Environmental

N/A

VII. Community Outreach/Notification

Public notification for this agenda item was conducted through the City of Norfolk's agenda notification process.

VIII. Board/Commission Action:

N/A

IX. Coordination/Outreach

This agenda item has been coordinated with the Office of the City Attorney.

Supporting Material from the Office of the City Attorney:

- Resolution

Form and Correctness Approval

By

Office of the City Attorney

Contents Approved:

By

DEPT.

NORFOLK, VIRGINIA

Resolution

A RESOLUTION AUTHORIZING THE APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR A SECTION 108 ECONOMIC DEVELOPMENT LOAN FUND GUARANTEE OF UP TO APPROXIMATELY \$19,000,000.

WHEREAS, Section 108 of the Housing and Community Development Act of 1974 provides long-term, low-cost, flexible capital for eligible community and economic development projects in Community Development Block Grant (CDBG) entitlement localities; and

WHEREAS, many CDBG entitlement localities have chosen to establish economic development loan pools with Section 108 loan guarantee; and

WHEREAS, the U.S. Department of Housing and Urban Development has determined that the Section 108 loan guarantee program has leveraged \$3 in private capital for every dollar of federal funds invested, and that the program has helped create or retain over 200,000 jobs; and

WHEREAS, entitlement localities such as the City of Norfolk have borrowing capacity up to five times their annual CDBG allocation under the Section 108 loan guarantee program; and

WHEREAS, the City receives an annual allocation of approximately \$3,800,000, which allows for borrowing up to approximately \$19,000,000; and

WHEREAS, the City of Norfolk is pursuing a holistic approach to economic and community development, and is attempting to harness the city's competitive advantages as the urban center of Hampton Roads, to foster vibrant neighborhoods, expand the local tax revenue base and stimulate job creation; and

WHEREAS, all loans made under the Section 108 loan guarantee program must meet the requirements of the Federal Code of Regulations ("CFR") for eligible activities, national objectives, and public benefit; and

WHEREAS, it is expected that the loan proceeds will be used for acquisition of improved or unimproved real property in fee or by long-term lease, including the acquisition for economic development purposes, for rehabilitation of real property owned or acquired by the City or its designated public agency, and, for other economic development activities; and

WHEREAS, the anticipated objective to be realized by such activities will be consistent with CFR 570.208, including benefit to low and moderate income individuals and elimination of slum and blight; and

WHEREAS, pursuant to 24 CFR 570.209(b), the City will make sure that a minimum of public benefit is obtained from the funded projects; and

WHEREAS, pursuant to 24 CFR 570.209(a), the City will use guidelines and objectives to ensure that funded projects are financially feasible and viable; and

WHEREAS, the City will outline underwriting criteria, which will require the demonstration of a reliable source of project income to pay the debt service and that there will be additional security pledged by the third party borrower to secure the loan; and

WHEREAS, pursuant to 24 CFR 570.705(b)(2), the City will need to pledge its current and future CDBG funds for repayment of the Section 108 loan should the payment not be made by the third party borrower; now, therefore

BE IT RESOLVED, by the Council of the City of Norfolk:

Section 1:- that the City Manager is hereby authorized to submit an application for the Section 108 loan guarantee program on behalf of the City and to do all things necessary to complete the application.

Section 2:- That this resolution shall be in effect from and after its adoption.